BILLING CODE: 8070-01-P

FEDERAL HOUSING FINANCE AGENCY

12 CFR Part 1202

RIN 2590-AA86

Freedom of Information Act Implementation

AGENCY: Federal Housing Finance Agency.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Agency (FHFA) is finalizing its interim final rule that amended its Freedom of Information Act (FOIA) regulation. The amendments to FHFA's regulation incorporate the requirements of the FOIA Improvement Act of 2016 by giving notice of the circumstances under which FHFA may extend the time limit for responding to a FOIA request due to unusual circumstance; notifying a requester of their right to seek dispute resolution services; affording a requester a minimum of 90 days to file an administrative appeal; and clarifying and updating the existing regulation. The interim final rule became effective on March 15, 2017. This final rule finalizes the interim final rule with minor revisions for consistency and clarification.

DATES: The final regulation is effective on [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. For additional information, see **SUPPLEMENTARY INFORMATION**.

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FOR FURTHER INFORMATION CONTACT: David A. Lee, Chief FOIA Officer, (202) 649-3803, or Stacy J. Easter, FOIA Officer (202) 649-3803, (not toll free numbers), Federal Housing Finance Agency, 400 Seventh Street, SW., Eighth Floor, Washington, DC 20219, or *FOIA@fhfa.gov*. The telephone number for the Telecommunications Device for the Deaf is (800) 877-8339.

SUPPLEMENTARY INFORMATION:

I. Background and the Interim Final Rule

The FOIA Improvement Act of 2016, Public Law 114-185, 130 Stat. 538 (June 30, 2016) (Act), amended the FOIA, 5 U.S.C. 552, and required agencies to review their FOIA regulations and issue certain amendments by December 27, 2016. On March 15, 2017, FHFA published an interim final rule to revise its FOIA regulation at 12 CFR part 1202 to incorporate changes made to the FOIA by the Act, and to make general updates to the regulation. *See* 82 FR 13743 (Mar. 15, 2017). The primary changes to the FOIA made by the Act include codifying the foreseeable harm standard when making a determination whether to release agency records under Exemption 5; notifying requesters of the availability of dispute resolutions services at various times throughout the FOIA process; providing a minimum of 90 days for requesters to file an administrative appeal; incorporating the new statutory restrictions on charging fees in certain circumstances, and reflecting recent developments in the case law.

The interim final rule also made general updates to the regulation to remove the FHFA-OIG individual component procedures from the body of FHFA's

regulation, adding them to the newly created appendices, as well as to make clarifying technical revisions to the regulation.

The interim final rule became effective on March 15, 2017. FHFA accepted public comments, however, until May 15, 2017. This final rule finalizes the interim final rule with minor revisions for consistency and clarification.

II. Summary of Public Comments and Final Rule

The Federal Housing Finance Agency received four public comments on the interim final rule, including comments from two Federal agencies, the National Archives and Records Administration (NARA) and the Department of Justice. FHFA has given consideration to each of the comments received and has made several modifications that will be adopted in the final rule. Discussion of each of the comments and FHFA's response follows.

General Comments

One commenter suggested that FHFA's interim final rule is "fairly vague" without providing further comments. FHFA disagrees. FHFA's interim final rule incorporates the requirements of the FOIA Improvement Act of 2016 as well as clarifies and updates its existing FOIA regulation. As such, no changes will be made in the final rule other than those described below.

One commenter asked, "who declares an 'unusual circumstance,' and how does he/she do so?" The commenter also stated that, "every agency is busy, and we cannot simply allow for such an extension with the potential for abuse." Because the circumstance in which an agency can invoke "unusual circumstance" is adequately

covered in § 1202.7(g) and is in line with the FOIA, FHFA declines to address this comment.

Section 1202.2—What do the terms in this regulation mean?

One commenter suggested that the "discretionary release" definition is not necessary and that it could create confusion with the foreseeable harm standard. FHFA agrees and has removed this definition from the final rule.

One commenter suggested that, under the definition of "Direct costs," the words "federal records center" or "records center" should be added to the NARA reference to prevent confusion in regards to the two types of records handled by NARA. FHFA has determined that including "federal records center" would be helpful. As such, FHFA has included this reference in the definition in the final rule.

Section 1202.4—What information is exempt from disclosure?

One commenter suggested that § 1202.4(b) should be removed because the FOIA exemptions are inherently discretionary. FHFA agrees and has removed this section from the final rule.

One commenter suggested that § 1202.4(d) should be removed or revised to include a statement on how a Vaughn index is not required during the administrative stage of processing a request. FHFA agrees and has revised this section in the final rule to state that a Vaughn index will not be provided during the administrative stage.

One commenter stated that § 1202.4(e) is "not necessary because it simply restates the statutory provision." FHFA agrees and has removed this section from the final rule.

Section 1202.5—How do I request information from FHFA under the FOIA?

One commenter suggested that § 1202.5(f) should be revised to "may state in what form or format..." because requiring a requester to state a format is unnecessary. FHFA agrees and has revised this section in the final rule.

One commenter raised concern with § 1202.5(g), which provides that all requesters agree to pay fees up to \$100.00. The commenter suggested that this section should be revised to ask the requester to specify an amount, if any, that they are willing to pay but not require them to agree to pay fees up front. The commenter also suggested that FHFA add language to this section indicating that the Agency will notify requesters of any fees above \$25. To conform to OMB Guidelines, FHFA agrees and has revised this section in the final rule to include the suggested language. FHFA has also revised the regulation text for clarity.

Section 1202.6—What if my request does not have all the information FHFA requires?

One commenter suggested that "overly broad, unduly burdensome to process" should be removed. The commenter states that both are covered under "does not reasonably describe the records you seek." The commenter also suggested that "tolling" should be removed because it suggests that the clock has started when in fact it has not started for unperfected request. FHFA agrees and has removed "overly broad, unduly burdensome to process" from the final rule. FHFA has also revised the regulation text for clarity.

One commenter suggested that the deadline for clarification is short and should be extended from 15 calendar days to 30 days. Given the fact that most clarification requests are transmitted electronically, FHFA believes that 15 calendar days gives a

requester sufficient time to respond. Therefore, FHFA declines to make the suggested change in the final rule.

One commenter raised concern that the wording in § 1202.6(b) could confuse a requester. The commenter suggested removing "or if the additional information you provide is still incomplete or insufficient" as not to confuse the requester that their request was withdrawn when in fact the request was closed. FHFA understands how this may be confusing and has revised this section in the final rule to replace "withdrawn" with "closed."

Section 1202.7—How will FHFA respond to my FOIA request?

One commenter suggested changing the search cut-off date in § 1202.7(b) from the "date of the FOIA request" to "date of the search." FHFA declines to make the suggested change in the final rule. Using the date of the FOIA request as the cut-off date provides clarity to requesters. Further, since FHFA receives a small number of FOIA request in a given year, the timeframe from when a request is received and when a search is conducted is, in most cases, within days apart and therefore there is little to no impact on the search results.

One commenter suggested revising § 1202.7(d) to reference "records" that are being referred instead of "requests." FHFA agrees and has revised this section in the final rule to indicate that records are being referred not the FOIA request.

One commenter suggested that language should be added addressing consultations with other agencies. FHFA agrees and has included a provision with the suggested language under § 1202.7 in the final rule.

One commenter suggested that the specific tracks in § 1202.7(g) should be deleted and that unusual circumstances should only be discussed in general terms, noting that the requirement of unusual circumstances applies regardless of the track. FHFA agrees and has removed the specific track reference from this section in the final rule.

Two commenters suggested that a reference should be added about notifying a requester of the availability of the Office of Government Information Services (OGIS) for dispute resolutions services when notice is given that a request will take longer than 30 days. FHFA agrees and has included an OGIS reference in this section in the final rule. Section 1202.8—If the requested records contain confidential commercial information, what procedures will FHA follow?

One commenter suggested revising § 1202.8(d)(1) to remove "confidential" since at this point it may not be clear whether the information is confidential. FHFA agrees and has revised this section in the final rule to remove "confidential."

One commenter suggested that language from Executive Order 12600 is missing at § 1202.8(e)(4). FHFA agrees and has revised this section in the final rule to include "unless the agency has substantial reason to believe that disclosure of the information would result in competitive harm."

Section 1202.9—How do I appeal a response denying my FOIA request?

One commenter suggested that the last sentence of § 1202.9(e) be removed because there is no legal grounds to prevent a requester from filing a lawsuit. FHFA agrees and has removed the last sentence of this section in the final rule.

One commenter suggested that, in § 1202.9(g), in order to help clarify for requesters that they may engage in various types of dispute resolution approaches to

resolve disputes, that the description of OGIS services should be changed from "mediation services to resolve FOIA disputes" to "services to resolve FOIA disputes." FHFA agrees and has revised this section in the final rule.

It has also been suggested that the last sentence in § 1202.9(g) be removed because the phrase "mediation decision" may confuse a requesters on the role of OGIS. FHFA agrees and has removed the last sentence of this section in the final rule. Section 1202.10—Will FHFA expedite my request or appeal?

One commenter suggested revising § 1202.10(c) by changing "10 days" to "10 calendar days." FHFA agrees with the commenter. Ten calendar days conforms to OMB guidelines; therefore, FHFA has revised this section in the final rule.

Section 1202.11—What will it cost to get the records I requested?

One commenter suggested revising § 1202.11(d) to include notification to requesters if fees exceed \$25. To conform to OMB guidelines, FHFA agrees and has included a statement regarding fee notifications in this section in the final rule. This statement has also be included in § 1202.5(g).

Section 1202.11(e) would allow FHFA to request advance payment if fees are likely to exceed a certain amount and if a requester has a history of not paying. One commenter suggested that this section was unclear. FHFA agrees and has revised the final rule to make clear in what instance it would require advance payment.

Finally, in keeping in line with OMB's most recent guidelines, FHFA has updated § 1202.11(h) and (j) of the final rule.

III. Regulatory Impacts

Paperwork Reduction Act

This final regulation does not contain any information collection requirement that requires the approval of OMB under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*).

Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires that a regulation that has a significant economic impact on a substantial number of small entities, small businesses, or small organizations must include an initial regulatory flexibility analysis describing the regulation's impact on small entities. Such an analysis need not be undertaken if the agency has certified that the regulation does not have a significant economic impact on a substantial number of small entities (5 U.S.C. 605(b)). FHFA has considered the impact of this final regulation under the Regulatory Flexibility Act. FHFA certifies that the regulation is not likely to have a significant economic impact on a substantial number of small business entities because the regulation is applicable only to the internal operations and legal obligations of FHFA.

List of Subjects in 12 CFR Part 1202

Appeals, Confidential commercial information, Disclosure, Exemptions, Fees, Final action, Freedom of Information Act, Judicial review, Records, Requests.

Authority and Issuance

Accordingly, for the reasons stated in the Preamble, the Interim Final Rule published at 82 FR 13743 on March 15, 2017 is adopted as a final rule with the following changes:

PART 1202—FREEDOM OF INFORMATION ACT

1. The authority citation for part 1202 continues to read as follows:

Authority: Pub. L. 110–289, 122 Stat. 2654; 5 U.S.C. 301, 552; 12 U.S.C. 4526; E.O. 12600, 52 FR 23781, 3 CFR, 1987 Comp., p. 235; E.O. 13392, 70 FR 75373–75377, 3 CFR, 2006 Comp., p. 216–200.

§ 1202.2 [Amended]

- 2. Amend § 1202.2 by:
- a. Removing the definition of "Discretionary release";
- b. Adding the words "at a Federal records center operated by the" before the word "National" in the definition of "Direct costs"; and
 - c. Adding a definition for "Vaughn index" in alphabetical order.

The addition reads as follows:

§ 1202.2 What do the terms in this regulation mean?

* * * * *

Vaughn index means an itemized index, used in litigation, correlating each withheld document (or portion) with a specific FOIA exemption and the relevant part of the agency's nondisclosure justification.

§ 1202.4 [Amended]

- 3. Amend § 1202.4 by:
- a. Removing paragraph (b);
- b. Redesignating paragraphs (c) and (d) as paragraphs (b) and (c) respectively;
- c. Revising newly redesignated paragraphs (b) and (c); and
- d. Removing paragraph (e).

The revisions read as follows:

§ 1202.4 What information is exempt from disclosure?

* * * * *

- (b) *Redacted portion*. If a requested record contains exempt information and information that can be disclosed and the portions can reasonably be segregated from each other, the disclosable portion of the record will be released to the requester after FHFA redacts the exempt portions. If it is technically feasible, FHFA will indicate the amount of the information redacted at the place in the record where the redaction is made and include a notation identifying the exemption that was applied, unless including that indication would harm an interest protected by an exemption.
- (c) *Exempt and redacted material*. FHFA is not required to and will not provide a Vaughn index during the administrative stage of processing your FOIA request.
- 4. Amend § 1202.5 by revising paragraphs (f) and (g) to read as follows: § 1202.5 How do I request information from FHFA under the FOIA? * * * * *
- (f) *How you want the records produced to you*. Your request may state in what form or format you want FHFA to furnish the releasable records, <u>e.g.</u>, hardcopy, or electronic.
- (g) Agreement to pay fees. In your FOIA request you must acknowledge that you are aware of the applicable fees charged under § 1202.11, and specify an amount, if any, you are willing to pay without consultation. Your inability to pay a fee does not justify granting a fee waiver. The fact that FHFA withholds all responsive documents or does not locate any documents responsive to your request, does not mean that you are not responsible for paying applicable fees. Your FOIA request will not be considered

received by FHFA until your acknowledgement of the applicable fees, in writing, is received. FHFA will notify a requester of any fees above \$25.00.

* * * * *

5. Amend § 1202.6 by revising the introductory text and paragraph (b) to read as follows:

§ 1202.6 What if my request does not have all the information FHFA requires?

If FHFA determines that your request does not reasonably describe the records you seek, cannot be processed for reasons related to fees, or lacks required information, you will be informed in writing why your request cannot be processed. You will be given 15 calendar days to meet all requirements. If you are notified that your request cannot be processed for the reasons cited herein, your request will be placed on hold and will not be considered as being received by FHFA for the purpose of processing your request under this part.

* * * * *

(b) If you do not respond or provide additional information within the time period allowed, or if the additional information you provide is still incomplete or insufficient, FHFA will consider your request closed and will notify you that it will not be processed.

§ 1202.7 [Amended]

- 6. Amend § 1202.7 by:
- a. Removing the reference "paragraph (g)" and adding in its place the reference "paragraph (h)" in paragraphs (c) introductory text and (c)(1);
 - b. Revising paragraph (d);

- c. Redesignating paragraphs (e), (f), and (g) as paragraphs (f), (g), and (h) respectively;
 - d. Adding new paragraph (e);
- e. Removing the words "Standard Track" and adding in their place the word "statutory" in newly redesignated paragraph (h)(1) introductory text; and
 - f. Revising newly redesignated paragraphs (f)(2) and (h)(2).

The revisions and addition read as follows:

§ 1202.7 How will FHFA respond to my FOIA request?

* * * * *

- (d) *Referrals to other agencies*. If you submit a FOIA request that seeks records originating in another Federal Government agency, FHFA will refer those records, as applicable, to the other agency for a direct response. FHFA will provide you notice of the referral, what records were referred, and the name of the other agency and relevant contact information.
- (e) *Consultation with other agencies*. When records originate with FHFA, but contain within them information of interest to another agency, FHFA will consult with the other agency(ies) prior to making a determination on your request.
 - (f) * * *
- (2) Requests that are denied, or granted and denied in part. If FHFA denies your request in whole or in part because a requested record does not exist or cannot be located, is not readily reproducible in the form or format you sought, is not subject to the FOIA, or is exempt from disclosure, the written response will include the requested releasable records, if any, the amount of any fees charged, the reasons for denial, and a notice and

description of your right to file an administrative appeal under § 1202.9. FHFA will not provide you with a Vaughn index during the administrative stage of processing your request.

- * * * * *
 - (h) * * *
- (2) When a request requires more than 30 days to process, FHFA will make available its FOIA Public Liaison or other FOIA contact to assist you in modifying or reformulating your request. If the request cannot be modified or reformulated, FHFA will notify you regarding an alternative time period for processing the request. FHFA will also notify you of the availability of the Office of Government Information Services to provide dispute resolution service.

* * * * *

- 7. Amend § 1202.8 by revising paragraphs (d)(1) and (e)(4) to read as follows: § 1202.8 If the requested records contain confidential commercial information, what procedures will FHFA follow?
- * * * * *
 - (d) * * *
- (1) A description of the commercial information requested or copies of the records or portions thereof containing the business information; and

* * * * *

- (e) * * *
- (4) The information requested is not designated by the submitter as confidential commercial information pursuant to this section, unless the agency has substantial reason

to believe that disclosure of the information would result in competitive harm; or ****

- 8. Amend § 1202.9 by revising paragraphs (e) and (g) to read as follows: § 1202.9 How do I appeal a response denying my FOIA request? * * * * *
- (e) *Notice of delayed determinations on appeal*. If FHFA cannot send a final determination on your appeal within the 20-day time limit, the designated component Appeals Officer will continue to process the appeal and upon expiration of the time limit, will inform you of the reason(s) for the delay and the date on which a determination may be expected.

(g) *Additional resource*. To aid the requester, the FOIA Public Liaison is available and will assist in the resolution of any disputes. Also, the National Archives and Records Administration (NARA), Office of Government Information Services (OGIS) offers non-compulsory, non-binding services to resolve FOIA disputes. If you need information regarding the OGIS and/or the services it offers, please contact OGIS directly at Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, MD 20740-6001; e-mail: *ogis@nara.gov*; phone: (202)741-5770; toll-free: 1-(877) 684-6448; or facsimile at (202)741-5769. This information is provided as a public service only.

§ 1202.10 [Amended]

9. Amend § 1202.10 in paragraph (c) by adding the word "calendar" after the number "10".

10. Amend § 1202.11 by revising paragraphs (d), (e), (h), (i), (j), and (k) to read as follows:

§ 1202.11 What will it cost to get the records I requested?

- (d) *Notice of anticipated fees in excess of \$25.00*. When FHFA determines or estimates that the fees chargeable to you will exceed \$25.00, you will be notified of the actual or estimated amount of fees you will incur, unless you earlier indicated your willingness to pay fees as high as those anticipated. When you are notified that the actual or estimated fees exceed \$25.00, your request will be tolled until you agree to pay, in writing, the anticipated total fee.
- (e) Advance payment of fees. FHFA may request that you pay estimated fees or a deposit in advance of responding to your request. If FHFA requests advance payment or a deposit, your request will be tolled by FHFA until the advance payment or deposit is received. FHFA may request advance payment or a deposit if—
 - (1) The fees are likely to exceed \$250.00;
 - (2) You do not have a history of payment;
- (3) You previously failed to pay a FOIA fee to FHFA in a timely fashion, *i.e.*, within 30 calendar days of the date of a billing; or
- (4) You have an outstanding balance due from a prior request. FHFA will require you to pay the full amount owed plus any applicable interest, as provided in paragraph (f) of this section, or demonstrate that the fee owed has been paid, as well as payment of the full amount of anticipated fees before processing your request.

- (h) Fee waiver requests. You may request a fee waiver in accordance with the FOIA and this regulation. Requests for a waiver of fees must be made in writing and should be made at the time you submit your FOIA request. However, your fee waiver may be submitted at a later time so long as the underlying record request is pending or on administrative appeal. FHFA may grant your fee waiver request or a reduction of fees if disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the Federal Government and is not primarily in your commercial interest. In submitting a fee waiver request, you must address the following six factors —
- (1) Whether the subject of the requested records concerns the operations or activities of the Federal Government. The subject of the request must concern identifiable operations or activities of the Federal Government with a connection that is direct and clear, not remote or attenuated;
- (2) Whether the disclosure is likely to contribute significantly to the public understanding of Federal Government operations or activities. This factor is satisfied when the following criteria are met:
- (i) Disclosure of the requested information must be meaningfully informative about government operations or activities. The disclosure of information that already is in the public domain, in either the same or a substantially identical form, would not be meaningfully informative if nothing new would be added to the public's understanding; and
- (ii) The disclosure must contribute to the understanding of a reasonably broad audience of persons interested in the subject, as opposed to your individual

understanding. Your expertise in the subject area as well as your ability and intention to effectively convey information to the public must be considered. FHFA will presume that a representative of the news media will satisfy this consideration.

- (3) The disclosure must not be primarily in your commercial interest. To determine whether disclosure of the requested information is primarily in your commercial interest FHFA will consider the following criteria:
- (i) FHFA will determine whether you have any commercial interest that would be furthered by the requested disclosure. A commercial interest includes any commercial, trade, or profit interest. You will be given an opportunity to provide explanatory information regarding this consideration; and
- (ii) If there is an identified commercial interest, FHFA will determine whether that is the primary interest furthered by the request.
- (i) Fee Waiver determination. FHFA will notify you within 20 days of receipt of your request whether the fee waiver has been granted. Where only some of the records to be released satisfy the requirements for a waiver of fees, a waiver will be granted for those records. For those records that do not satisfy the requirements for a waiver of fees, you may be charged for those records. When you have committed to pay fees and subsequently ask for a waiver of those fees and that waiver is denied, you must pay any costs incurred up to the date the fee waiver request was received. A request for fee waiver that is denied may only be appealed when a final decision has been made on the initial FOIA request.
- (j) Restrictions on charging fees. (1) When FHFA determines that you are an educational institution, non-commercial scientific institution, or representative of the

news media, and the records are not sought for commercial use, FHFA will not charge search fees.

- (2)(i) If FHFA fails to comply with the FOIA's time limits in which to respond to your request, FHFA will not charge search fees, or, in the instances of requests from requesters described in paragraph (j)(1) of this section, will not charge duplication fees, except as described in paragraphs (j)(2)(ii) through (iv) of this section.
- (ii) If FHFA has determined that unusual circumstances as defined by the FOIA apply and FHFA has provided timely written notice to you in accordance with the FOIA, FHFA's failure to comply with the time limit will be excused for an additional 10 days.
- (iii) If FHFA determines that unusual circumstances, as defined by the FOIA, apply and more than 5,000 pages are necessary to respond to your request, FHFA may charge search fees, or, in the case of a requester described in paragraph (j)(1) of this section, may charge duplication fees, if the following steps are taken. FHFA must have provided timely written notice of unusual circumstances to you in accordance with the FOIA and FHFA must have discussed with you via written mail, e-mail, or telephone (or made not less than three good-faith attempts to do so) how you could effectively limit the scope of your request in accordance with 5 U.S.C. 552(a)(6)(B)(ii). If this exception is satisfied, FHFA may charge all applicable fees incurred in the processing of the request.
- (iv) If a court has determined that exceptional circumstances exist, as defined by the FOIA, a failure to comply with the time limits shall be excused for the length of time provided by the court order.
- (3) No search or review fees will be charged for a quarter-hour period unless more than half of that period is required for search or review.

(4) If you seek records for a commercial use, FHFA will provide without charge:

(i) The first 100 pages of duplication (or the cost equivalent for other media); and

(ii) The first two hours of search.

(5) No fee will be charged when the total fee, after deducting the 100 free pages

(or its cost equivalent) and the first two hours of search, is equal to or less than \$25.00.

(k) Additional resource. The FOIA Public Liaison or other FOIA contact is

available to assist you in modifying or reformulating a request to meet your needs at a

lower cost. FHFA will also notify you of the availability of OGIS to provide dispute

resolution service.

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Appendix A to Part 1202 [Amended]

11. Amend Appendix A to Part 1202:

a. In paragraph 2 by adding the word "only" after the word "Headquarters" and

adding the language "on FHFA's public website" after the word "located"; and

b. In paragraphs 3 and 4 by removing the comma before the website hyperlink

text and adding in its place ". You can find additional information on FHFA's FOIA

program at".

Dated: January 30, 2018.

Melvin L. Watt,

Director, Federal Housing Finance Agency.

[FR Doc. 2018-02338 Filed: 2/8/2018 8:45 am; Publication Date: 2/9/2018]

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